

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

October 18, 2001

Ms. Suzanne Clayton, Financial Services Manager  
Beverly Healthcare  
One Thousand Beverly Way  
Fort Smith, Arkansas 72919

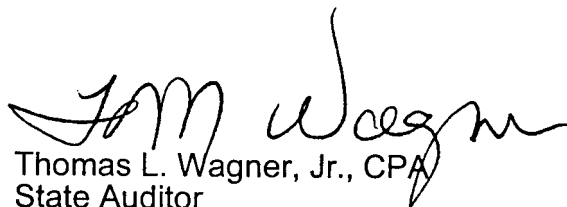
Re: AC# 3-MDH-J8 – Beverly Enterprises – South Carolina, Inc.  
d/b/a Meadow Haven Nursing Home

Dear Ms. Clayton:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.  
D/B/A MEADOW HAVEN NURSING HOME**

**ROCK HILL, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-MDH-J8**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2000	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

# State of South Carolina



## Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 9, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Beverly Enterprises – South Carolina, Inc. d/b/a, Meadow Haven Nursing Home, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

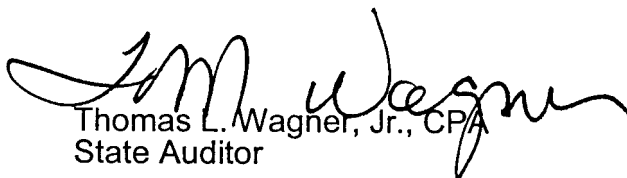
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Beverly Enterprises – South Carolina, Inc. d/b/a Meadow Haven Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Beverly Enterprises – South Carolina, Inc. d/b/a Meadow Haven Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 9, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-MDH-J8

	10/01/99
	<u>09/30/00</u>
Interim reimbursement rate (1)	\$107.91
Adjusted reimbursement rate	<u>107.48</u>
Decrease in reimbursement rate	\$ <u>.43</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.  
D/B/A MEADOW HAVEN NURSING HOME**

Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1999 Through September 30, 2000  
AC# 3-MDH-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$53.33	\$54.43	
Dietary		10.15	9.69	
Laundry/Housekeeping/Maint.		<u>7.71</u>	<u>8.24</u>	
Subtotal	\$ <u>1.17</u>	71.19	72.36	\$ 71.19
Administration & Med. Rec.	\$ <u>-</u>	<u>12.98</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		84.17	<u>\$83.92</u>	82.75
<u>Costs Not Subject to Standards:</u>				
Utilities		3.17		3.17
Special Services		1.75		1.75
Medical Supplies & Oxygen		4.31		4.31
Taxes and Insurance		2.28		2.28
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$95.68</u>		94.26
Inflation Factor (3.00%)				2.83
Cost of Capital				9.60
Cost of Capital Limitation				(1.84)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				1.17
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.71</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$107.48</u>

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MDH-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,502,930	\$ 21 (4)	\$10,428 (4)	\$2,492,523
Dietary	476,349	-	1,919 (4)	474,430
Laundry	76,520	1,218 (4)	-	77,738
Housekeeping	161,940	2,800 (4)	-	164,740
Maintenance	119,931	-	1,984 (4)	117,947
Administration & Medical Records	597,968	2,373 (3) 3,674 (4) 2,432 (4)	-	606,447
Utilities	147,933	-	-	147,933
Special Services	69,316	4,509 (4) 12,499 (6)	4,477 (5)	81,847
Medical Supplies & Oxygen	233,059	-	25,221 (2) 2,373 (3) 323 (4) 3,504 (5)	201,638
Taxes & Insurance	106,418	-	-	106,418
Legal Fees	-	-	-	-



**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MDH-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	378,966	39,450 (1) <u>30,069 (7)</u>	-	448,485
Subtotal	4,871,330	99,045	50,229	4,920,146
Ancillary	-	25,221 (2)	-	25,221
Non-Allowable	1,347,917	7,981 (5)	39,450 (1) 12,499 (6) <u>30,069 (7)</u>	1,273,880
Total Operating Expenses	<u>\$6,219,247</u>	<u>\$132,247</u>	<u>\$132,247</u>	<u>\$6,219,247</u>
Total Patient Days	<u>46,735</u>	<u>-</u>	<u>-</u>	<u>46,735</u>
TOTAL BEDS	<u>132</u>			

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-MDH-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,951	
	Cost of Capital	39,450	
	Fixed Assets		\$ 1,034
	Nonallowable		39,450
	Other Equity		917
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Ancillary	25,221	
	Medical Supplies & Oxygen		25,221
	To reclassify IV Therapy Supplies to Ancillary DH&HS Expense Checklist		
3	Administration	2,373	
	Medical Supplies & Oxygen		2,373
	To properly classify Beverly Office Supply Expense DH&HS Expense Checklist State Plan, Attachment 4.19D		
4	Restorative	21	
	Laundry	1,218	
	Housekeeping	2,800	
	Administration	3,674	
	Medical Records	2,432	
	Special Services	4,509	
	Nursing		10,428
	Dietary		1,919
	Maintenance		1,984
	Medical Supplies & Oxygen		323
	To adjust the fringe benefit allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-MDH-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	7,981	
	Medical Supplies & Oxygen		3,504
	Special Services		4,477
	To properly state special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Special Services	12,499	
	Nonallowable+		12,499
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
7	Cost of Capital	30,069	
	Nonallowable		30,069
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$134,198</u>	<u>\$134,198</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1998  
 AC# 3-MDH-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>132</u>
Deemed Asset Value	4,637,160
Improvements Since 1981	1,419,844
Accumulated Depreciation at 9/30/98	<u>(1,234,203)</u>
Deemed Depreciated Value	4,822,801
Market Rate of Return	<u>.063</u>
Total Annual Return	303,836
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	303,836
Depreciation Expense	141,438
Amortization Expense	3,211
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	448,485
Total Patient Days (Minimum 97% Occupancy)	<u>46,735</u>
Cost of Capital Per Diem	\$ <u><u>9.60</u></u>

**BEVERLY ENTERPRISES – SOUTH CAROLINA, INC.**  
**D/B/A MEADOW HAVEN NURSING HOME**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MDH-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>9.60</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.84)</u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. The FY 2001-02 Appropriation Act requires that this information on printing costs be added to the document.